TOWN OF NEW WATERFORD

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1985

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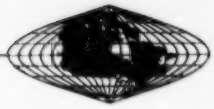
THORNE
RIDDELL
Chartered Accountants



AUDITORS' REPORT

To His Worship the Mayor and Members of Council
Town of New Waterford

We have examined the consolidated balance sheet of the Town of New Waterford as at December 31, 1985 and the consolidated statements of operations, reserves, investment in capital assets, surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Town as at December 31, 1985, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles adopted for Nova Scotia municipalities applied on a basis consistent with that of the preceding year.

Thorne Riddell

Sydney, Nova Scotia
March 20, 1986

Chartered Accountants

TOWN OF NEW WATERFORD

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1985

ASSETS	1985	1984
CURRENT ASSETS		
Cash	$ 352,604	$ 549,214
Taxes and water rates receivable	640,700	523,781
Due from federal government and its agencies	7,980	83,034
Due from provincial government and its agencies	458,298	279,985
Due from related agencies	2,977	10,734
Due from local governments	45,796	42,992
Due from general public	43,221	5,675
Inventory of supplies	49,132	35,446
Prepaid expenses	65	3,244
	1,600,773	1,534,105
OTHER ASSETS		
Restricted cash and investments	301,812	487,079
Vested properties	42,531	42,879
Unamortized portion of deficit capitalized	8,000	24,000
Unamortized portion of grant to hospital	90,000	105,000
Property, plant and equipment (note 2)	22,418,378	19,724,154
	22,860,721	20,383,112
	$24,461,494	$21,917,217
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness	$ 500,000	$ 328,000
Accounts payable and accrued liabilities	166,466	436,131
Due to related agencies	114,482	73,178
Matured debenture debt	1,999	2,925
Deferred revenue	297,388	255,896
Valuation allowance	431,757	422,554
Principal due within one year on long term debt	382,200	388,775
	1,894,292	1,907,459
LONG TERM DEBT (note 3)	3,157,944	3,540,169
DEFERRED ASSISTANCE	101,123	
RESERVES AND EQUITY		
RESERVES	303,166	487,079
INVESTMENT IN CAPITAL ASSETS	18,894,123	15,922,536
SURPLUS	110,846	59,974
	19,308,135	16,469,589
	$24,461,494	$21,917,217

On behalf of the Town of New Waterford

Mayor

Clerk

TOWN OF NEW WATERFORD

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 1985

	1985	1984
REVENUE		
Taxes	$1,709,079	$1,607,333
Grants in lieu of taxes	109,844	135,018
Sales of services	624,243	555,036
Other revenue from own sources	225,255	302,093
Unconditional transfers from other governments	1,845,451	1,404,601
Conditional transfers from other governments	1,425,160	1,491,158
Financially assisted employment programs	204,774	171,501
Amortization of deferred assistance	1,354	
	6,145,160	5,666,740
EXPENDITURE		
General government services	772,385	726,253
Protective services	903,904	811,238
Transportation services	838,280	845,971
Environmental health and developmental services	233,897	225,594
Public health and welfare services	945,527	875,741
Recreation and cultural services	169,498	126,129
Water transmission and purification	266,709	249,941
Education	294,774	150,485
Debt charges and servicing	774,612	844,715
Transfers to capital funds, reserves and allowance	179,760	215,393
Transfers to related agencies and other governments	399,265	357,529
Financially assisted employment programs	315,677	198,498
	6,094,288	5,627,487
EXCESS OF REVENUE OVER EXPENDITURE	$ 50,872	$ 39,253
ANALYSIS OF EXCESS BY SOURCE		
Town	$ (18,408)	$ 9,870
Water Utility	69,280	29,383
	$ 50,872	$ 39,253

TOWN OF NEW WATERFORD

CONSOLIDATED STATEMENT OF RESERVES

YEAR ENDED DECEMBER 31, 1985

	1985	1984
Balance at beginning of year	$ 487,079	$ 733,976
Interest earned	34,440	57,163
Transfers from operating funds	100,170	96,490
Proceeds from disposal of municipal property	8,366	12,944
Transfers to capital funds	(302,799)	(392,347)
Transfers to operating funds	(24,090)	(23,364)
Transfer from tax sale surplus		2,217
BALANCE AT END OF YEAR	$ 303,166	$ 487,079
ALLOCATION OF RESERVES		
Water Utility - Accumulated reserve for depreciation	$ 19,334	$ 39,647
Water Utility - Reserve for watershed land acquisition	257	25,000
Water Utility - Reserve for non-shareable debt expenditure	252,053	303,713
Water Utility - Reserve for future capital expenditure	31,522	25,916
Town - Capital reserve		12,256
Town - Equipment reserve		80,547
	$ 303,166	$ 487,079

TOWN OF NEW WATERFORD

CONSOLIDATED STATEMENT OF INVESTMENT IN CAPITAL ASSETS

YEAR ENDED DECEMBER 31, 1985

	1985	1984
Balance at beginning of year	$15,922,536	$14,486,375
Interest earned	637	699
Long term debt retired	357,800	401,779
Transfers from reserve funds	302,799	392,347
Transfers from operating funds	219,221	213,724
Grants received for capital purposes	2,137,115	466,601
Asset disposals, retirements and adjustments	(45,985)	(38,989)
BALANCE AT END OF YEAR	$18,894,123	$15,922,536
ALLOCATION OF INVESTMENT IN CAPITAL ASSETS		
Town		
General assets	$10,054,884	$ 7,620,094
School assets	5,390,681	5,186,681
	15,445,565	12,806,775
Water Utility		
Water assets	3,448,558	3,115,761
	$18,894,123	$15,922,536

TOWN OF NEW WATERFORD

CONSOLIDATED STATEMENT OF SURPLUS

YEAR ENDED DECEMBER 31, 1985

	1985	1984
Surplus at beginning of year	$ 59,974	$ 44,451
Surplus transferred to operating funds		(23,730)
Excess of revenue over expenditure	50,872	39,253
SURPLUS AT END OF YEAR	$110,846	$ 59,974
ALLOCATION OF SURPLUS (DEFICIT)		
Town	$ (8,538)	$ 9,870
Water Utility	119,384	50,104
	$110,846	$ 59,974

TOWN OF NEW WATERFORD

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1985

	1985	1984
WORKING CAPITAL DERIVED FROM		
Operations		
Excess of revenue over expenditure	$ 50,872	$ 39,253
Capital expenditure out of operating funds	219,221	213,724
Term debt retired	388,800	432,779
Depreciation	72,940	70,390
Other		6,561
Surplus included in operations		(23,730)
	731,833	738,977
Interest earned on non-current funds	637	699
Grants for capital purposes	2,137,115	466,601
Appropriations from special reserve funds, net of amounts provided through depreciation	229,859	321,957
Sale of vested properties	2,632	
	3,102,076	1,528,234
WORKING CAPITAL APPLIED TO		
Reduction of long term debt	382,225	388,779
Additions to property, plant and equipment	2,637,732	1,094,079
Purchase of vested properties	2,284	
Tax sale surplus		2,058
Repayment of temporary advances from special reserve funds		26,608
	3,022,241	1,511,524
DECREASE IN WORKING CAPITAL DEFICIENCY	79,835	16,710
WORKING CAPITAL DEFICIENCY AT BEGINNING OF YEAR	373,354	390,064
WORKING CAPITAL DEFICIENCY AT END OF YEAR	$ 293,519	$ 373,354

TOWN OF NEW WATERFORD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1985

1. ACCOUNTING POLICIES

a) Principles and basis of consolidation

These financial statements are presented to provide the reader with an overview of the Town of New Waterford's total financial operations. It is recommended that for a detailed review and analysis, the reader refer to the separate financial statements for each of the various funds.

The principles of consolidation of the accounts of the Town have been prescribed by the Province of Nova Scotia and have been followed in all material respects.

The consolidated accounts include the accounts of the New Waterford and District Water Commission in which the Town has a 100% interest.

b) Basis of accounting

The financial statements have been prepared using the modified accrual basis of accounting. Major revenue and expenditure items are recorded on the accrual basis except for certain sources of revenue, including interest on past due taxes, which are recorded on a cash basis and certain items of expenditure, including principal and interest on long term debt, which also are recorded on a cash basis.

c) Inventory of supplies

Inventory of supplies is stated at cost.

d) Investments

Investments are recorded at cost.

e) Vested properties

Vested properties are stated at their cost to the Town.

f) Unamortized portion of deficit capitalized

The unamortized portion of deficit capitalized is stated at the amount of loan initially acquired less accumulated loan retirement. Amortization is provided in the form of annual principal instalments made by the Town Operating Fund on the related loan.

TOWN OF NEW WATERFORD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1985

1. ACCOUNTING POLICIES (cont'd)

g) Unamortized portion of grant to hospital

The Town had made a grant to the New Waterford Consolidated Hospital by assuming liability for certain debentures of the hospital. The unamortized portion of grant to hospital is stated at the initial liability assumed less related principal retirement. Amortization is provided in the form of annual principal instalments made by the Town Operating Fund on the related loan.

h) Property, plant and equipment

i) General and school purpose assets

General and school purpose assets and work in progress are stated at cost with no depreciation recorded on these assets. Funds received towards the purchase of these assets through capital assistance programs, cost sharing arrangements or loan forgiveness are treated as additions to the investment in capital assets.

ii) Water purpose assets

(a) Fixed asset assistance and related amortization

Funds received, after January 1, 1985, through capital assistance programs, cost-sharing arrangements or loan forgiveness are treated as additions to the deferred assistance. Deferred assistance is amortized to income on the same basis that depreciation is charged on the related asset.

Funds received, prior to January 1, 1985, from similar fixed asset assistance programs are treated as additions to the investment in capital assets. No amortization is recorded on this assistance.

(b) Fixed assets and related depreciation

(i) Donated fixed assets

Donated fixed assets are recorded at cost.

No depreciation is recorded on fixed assets donated after January 1, 1985. The utility has continued to record depreciation on assets donated prior to January 1, 1985.

(ii) Other fixed assets

Utility plant is valued at appraised value as established in 1937 with subsequent additions, disposals and retirements recorded at cost.

TOWN OF NEW WATERFORD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1985

1. ACCOUNTING POLICIES (cont'd)

(ii) Other fixed assets (cont'd)

Depreciation of fixed assets is charged to income based on formula rates prescribed by the Public Utilities Board.

(c) The adoption of the above policies for water purpose assets requires approval from the Board of Commissioners of Public Utiilities for Nova Scotia. As at December 31, 1985 the utility has not received such approval but will seek approval in 1986.

2. PROPERTY, PLANT AND EQUIPMENT

	1985	1984
General purpose assets		
Work in progress - engineering structures	$ 251,677	$ 256,207
Work in progress - equipment		126,947
Land	2,047,912	41,663
Engineering structures	5,928,084	5,672,563
Buildings, machinery and equipment	2,094,092	1,828,260
School purpose assets		
School buildings and furnishings	6,934,681	6,934,681
Water purpose assets		
Work in progress	102,123	101,008
Utility plant in service	5,059,809	4,762,825
	$22,418,378	$19,724,154

3. LONG TERM DEBT

	1985	1984
3.0% General purpose serial debenture redeemable commencing in 1988 to maturity in 1992	$ 67,000	$ 67,000
7 5/8% to 8 1/4% General purpose CMHC loans requiring principal repayments to maturity in 1994	135,439	145,397
7 7/8% General purpose loan payable to Cape Breton Development Corporation with principal repayments to maturity in 1993	39,445	42,897

TOWN OF NEW WATERFORD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1985

3. LONG TERM DEBT (cont'd)

	1985	1984
7.0% Government of Canada general purpose loan with principal repayments to maturity in 1993	$ 35,360	$ 38,575
5.5% to 10.0% Loan payable to Province of Nova Scotia re capitalized deficit requiring principal repayments to maturity in 1986	8,000	24,000
6.0% Hospital purpose serial debentures redeemable annually to maturity in 1992	90,000	105,000
3.0% to 9.75% School purpose serial debentures redeemable annually to maturity dates up to 1997	1,544,000	1,748,000
9.5% to 10.0% Water purpose serial debentures redeemable annually to maturity dates up to 1999	1,620,900	1,758,075
	3,540,144	3,928,944
Less principal included in current liabilities	382,200	388,775
	$3,157,944	$3,540,169

Principal repayments required during each of the next five years on long term debt are approximately as follows:

1986	$382,200
1987	374,500
1988	376,100
1989	352,700
1990	278,500

4. CONTRIBUTIONS TO CONSOLIDATED AGENCIES

New Waterford and District Water Commission

During the year the Town paid $113,333 ($107,964 in 1984) in respect of public fire protection. The annual charge is determined under a formula as set out in the Utility's rate structure which has been approved by the Board of Public Utilities.

TOWN OF NEW WATERFORD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1985

4. CONTRIBUTIONS TO CONSOLIDATED AGENCIES (cont'd)

New Waterford and District Water Commission

The Town provides certain services to the New Waterford and District Water Commission, primarily relating to fiscal services and equipment operations. The total charge for these services for the year was $78,500 ($78,500 in 1984). The charges are determined at rates that would be charged to outside parties.

The Water Commission rents equipment from the Town on behalf of its capital programs. The charge for such rentals (included as additions to property and equipment) amounted to $52,200 ($134,000 in 1984) for the year.

During the year the Water Utility paid $29,647 ($28,170 in 1984) in respect of property tax for the year.

5. CONTRIBUTIONS TO NON-CONSOLIDATED AGENCIES

The Town of New Waterford is required to finance the operations of various boards and commissions along with other municipal units in the area to the extent of its participation based on prescribed formulae. In addition to any budgeted contributions, the Town shares in the deficits or surpluses of these boards based on prescribed formulae.

Details of contributions to these boards and commissions are as follows:

	Contributions	
	1985	1984
Cape Breton Regional Housing Authority	$104,453	$ 79,784
Cape Breton District School Board	294,774	150,485
Cape Breton Joint Expenditure Board	198,697	193,670
Cape Breton Regional Library Board	39,172	36,021
Cape Breton Regional Transit Authority	42,635	35,033
Cape Breton Metro Planning Commission		3,713

With respect to the Regional Housing Authority and Regional Library Board the Town has no further financial obligations in connection with the operating results of the abovementioned for the period ended December 31, 1985.

TOWN OF NEW WATERFORD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1985

5. CONTRIBUTIONS TO NON-CONSOLIDATED AGENCIES (cont'd)

At December 31, 1985 The Cape Breton District School Board had reported a deficit of $291,617. The Town's share of this deficit, $13,204, has been included in the current year's contribution. (The 1984 contribution includes a recovery of $78,501 related to the prior year's surplus).

The commitment of the Town for any deficits incurred by the Cape Breton Joint Expenditure Board and the Regional Transit Authority as at December 31, 1985 has not yet been determined.

6. TOWN ADMINISTERED GRANTS

During the year the Town administered federal employment grants which provided grant funding in the amount of $51,201 and a provincial employment grant which provided grant funding in the amount of $20,992.

7. SCHOOL CAPITAL FUND

On January 1, 1982 the Town of New Waterford joined with the other Municipalities of the County of Cape Breton to form the Cape Breton District School Board. Under the agreement, all school buildings on hand at December 31, 1981 will remain assets of the municipality but will be under the operational control of the district school board until such time as the board no longer requires the asset for school purposes. At that time control will revert back to the Town.

The long term debt outstanding on school capital assets at December 31, 1981 remains a debt of the Town but a separate agreement has been signed with the Province of Nova Scotia whereby a grant will be paid annually to the Town equal to 100% of the principal and interest costs related to the debt.

8. SUBSEQUENT EVENT

The Town has not been able to renew its general liability insurance which expired January 31, 1986.